

Department of  
HEALTH EDUCATION, AND WELFARE  
Public Health Service  
Division of Indian Health  
Silver Spring, Maryland ,

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DIVISION OF INDIAN HEALTH CIRCULAR NO. 67-4

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EXCLUSION FROM GROSS INCOME (FOR FEDERAL INCOME TAX  
PURPOSES) QUARTERS RENTAL PAID BY EMPLOYEES REQUIRED  
TO OCCUPY GOVERNMENT QUARTERS

Sac.

1. Purpose
2. Background
3. Objectives
4. Responsibilities
5. Certification to Occupy Government Quarters
6. Supersession

PURPOSE. This circular provides information concerning Internal Revenue Service criteria in regard to the exclusion from gross income (for Federal Income Tax purposes) of quarters rental paid by civilian employees required to occupy Government quarters. Also, direction is provided in meeting the requirements of the Internal Revenue Service with respect to required determinations by the employer.

2. BACKGROUND. The authority for the income tax deduction by the individual employee exists in Section 119 of the Internal Revenue Code of 1954, and was confirmed in a letter from the Chief, Individual Income Tax Branch, Internal Revenue Service, dated November 22, 1966, copy attached.
3. OBJECTIVES.
  - (1) To insure uniformity and provide guidance throughout the Division of Indian Health in regard to the excludability from gross income of quarters rentals paid by civilian employees.
  - (2) To insure a uniform policy consistent with the criteria prescribed by Internal Revenue Service.
4. RESPONSIBILITIES. At Division facilities when the Service Unit Director has determined that all of the following conditions have been met, quarters deductions (with the exception of separately billed utility charges 1/) may be excluded from gross income by the employee for income tax purposes in accordance with Income Tax Regulations, Section 1, 119-1(b) (amended July 8, 1964 by Treasury Decision 6745):

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- (1) That lodging is furnished on the business premises of the employer, at the place of employment.
- (2) That lodging is furnished for the convenience of the employer. The primary consideration is that such lodging facilities are necessary to permit the employee to do his job properly.
- (3) That the employee is required to accept such lodging as a condition of his employment. The condition need not be contractual, but must be necessary for proper performance of the employee's job (e.g. employee on 24-hour call, or where no other quarters are available).

The amount of quarters rental excluded from gross income by the employee is for final determination by the Internal Revenue Service.

5. CERTIFICATION TO OCCUPY GOVERNMENT QUARTERS. In order to assist the employee claiming such a deduction when filing his Federal Income Tax Return Service Unit Directors shall, upon request, furnish affected employees with a copy of his determination, attesting to the facts in the preceding section.

This determination shall be provided in the manner indicated in the sample below:

CERTIFICATION

This is to certify that \_\_\_\_\_ was required to occupy Government quarters from \_\_\_\_\_ to \_\_\_\_\_ while employed at \_\_\_\_\_ which are on business premises of the Federal Government. Occupancy of the quarters was required as a *convenience* to the Government, because no other suitable facilities are available, and the employee could not otherwise satisfactorily perform the services required of him. The aforementioned employee was required to accept lodging as a condition of his employment.

\_\_\_\_\_  
Signature of Service Unit Director

6. SUPERSESSION. Division of Indian Health Circular No. 66-1. dated January 12, 1966 superseded and should be destroyed.



E. S. Rabeau, M.D.  
Assistant Surgeon General  
Director, Division of Indian Health

Attachment

L/ The matter of separately billed utility charges is being studied further by IRS.